

EVIDENCE-INSIGHTS-POLICY

HIGHWAY POLITICS IN MEXICO

CONTEXT

Road investments can have big impacts on economic growth and development. This is because they facilitate trade through lower transaction costs and better access to markets, or because they may stimulate the spatial agglomeration of firms and local specialization, increasing local employment and productivity. The placement of roads, however, may not be optimal when it arises from political rather than economic incentives—as with costly white elephant projects. While this problem seems to emerge mainly in autocratic settings, electoral competition can also generate resource misallocation, especially when politicians seek to improve their reelection prospects.

Selod and Soumahoro (2019) examines whether municipalities that voted for candidates from the ruling presidential party afterwards received a disproportionate share of federally funded highways. To identify political bias in road building, the authors compare changes in highway length

between municipalities where the presidential party barely won and those where it barely lost the legislative race. The rationale for this approach is that elections decided with razor-thin margins involve a random component that makes it reasonable to assume similarities between locations with highly contested races.

EMPIRICAL CHALLENGES

Empirical efforts to understand the role of political preferences in the subnational distribution of road investments face two major challenges: Disaggregated road expenditures are difficult to track, especially in developing countries. And subnational administrative jurisdictions may vary in ways that potentially correlate with both political preferences and public investment choices.

DATA

The authors address these challenges by applying a quasi-experimental design to a data set comprising election outcomes and georeferenced road data from Mexico. To guard against missing or poor road expenditure data, the authors extract (from sheet maps) spatially explicit measures of actual roads that were built. Combining these road statistics with data from nearly 10,000

legislative elections in more than 2,000 Mexican municipalities between 1993 and 2012, they compare changes in newly built roads across locations with different voting outcomes.

RESULTS

The results suggest that in the four to five years after an election, federal highways built in municipalities backing the presidential party in legislative elections more than doubled compared with those in locations lost to the opposition. Alignment with the presidential party's legislative candidates increased federal highway provision but had no significant effect on state and rural roads that are not federally funded. Interestingly, there is no evidence of allocation bias in federal highways when the winner of the legislative race was from the majority in the chamber of deputies or when the authors exclusively examine presidential election outcomes rather than the legislative election outcomes. Thus it is the **interaction between the executive and legislative branches that generated political bias in highway building**. Overall, the study underscores how the relationships among different branches of government could distort resource allocation.

What Explains Highway Politics in Mexico?

To shed light on why this distortion occurs, the study discusses two potential explanations. First, politicians may target resources toward constituencies with common ideological interests and policy priorities. For example, evidence from the United States suggests that Democrats are more inclined to spend heavily on education while Republicans tend to prioritize defense spending. The study could not substantiate this prediction, as none of the dominant parties in Mexico exhibited a differentiated preference for road investments.

Second, **legislative instability in the form of divided government may be conducive to greater distributive spending**. In fact, the study finds evidence of greater distortion in highway provision when the president's party held fewer legislative seats than the opposition. Thus distributive politics fueled by divided government, itself a manifestation of the democratic game, could result in allocative inefficiency. This may in turn constrain returns to infrastructure and exacerbate regional disparities, an important question for future research.